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SUBJECT: BELIZE: FINANCING SCANDAL HEARINGS RESUME

REF: A) Belmopan 75

B) 06 Belize 973  
C) 06 Belize 708 and previous

¶1. Summary. On January 25, the long-awaited hearings into the financial dealings of the Development Finance Corporation (DFC) finally resumed - minus Commission Chairman David Price, who died in December. Testimony from a DFC secretary, the finance manager, and the current Governor of the Belize Central Bank revealed that DFC executives repeatedly used their positions to benefit themselves and their friends, and often instructed their subordinates to ignore DFC rules and lending guidelines. End summary.

¶2. The Development Finance Corporation (DFC) was Belize's agricultural, educational and housing development bank. Its collapse in 2004 has caused a scandal and the resulting inquiry has focused attention on high-level corruption.

¶3. During her testimony Carmen Moore, who served as secretary to the DFC executive managers in 2004, described an incident in which the DFC legal officer told her to sign the minutes of a "phantom" board meeting at the request of DFC Chief Executive Officer Troy Gabb. Moore explained that at this meeting, which was supposed to have taken place on March 17, 2004, DFC board members passed a resolution to secure a BZ \$50 million loan from Belize Bank. (Note: US \$1 equals BZ \$2. End note). According to press reports, these funds were then conveniently deposited into a GoB account at a time when the IMF was conducting an assessment of cash-strapped Belize's financial position. Moore claimed that although she had no recollection of a March 17, 2004 board meeting, she followed her instructions and also sought the signatures of the board members. Interestingly, CEO Troy Gabb - upon whose instructions she was purportedly acting - refused to sign the minutes.

¶4. Two witnesses were asked about Glenn Godfrey (a former DFC chairman, a former Cabinet minister, attorney, local businessman, and ruling People's United Party crony) and his role - if any - in the collapse of the DFC. First, Governor of the Belize Central Bank Sydney Campbell testified that, at the instruction of the Social Security Board, the Central Bank transferred US \$49 million into an account in the name of the St. James National Building Society (Godfrey's company), held at Hibernia National Bank (reportedly an affiliate of Provident Bank, Godfrey's offshore bank) in New Orleans. Campbell explained that the money was proceeds from the sales of mortgages from St. James to the North American Securitization Program (NASP). As reported in Ref. C, St. James eventually defaulted on these mortgages - leaving the Social Security Board holding the bag.

¶5. Jane Longsworth, DFC Finance Manager, testified that - in spite of established guidelines - the DFC did not require St. James to cover its share of expenses for participating in NASP nor was the

company required to place a portion of its NASP proceeds into a reserve account that was used to secure participants' investments. Longsworth testified that Gabb and Godfrey instructed her to exempt St. James from these fees, which ultimately totaled BZ \$9.43 million.

¶6. Comment. After a two-month hiatus in the fall and the loss of Chairman David Price in December, the DFC hearings appear to be limping toward a conclusion. We hope that before the hearings conclude Gabb, Godfrey, and other 'heavy-hitters' will be called upon to explain their actions to the DFC investigative commission as well as the Belizean public, and - if warranted - face the civil and criminal consequences. Unfortunately, the political connections of those most culpable may insulate them from punishment. Ultimately, it is the Belizean public that continues to pay the price for the DFC's "overly flexible interpretation" of investment guidelines and the political climate that allowed them to occur. End comment.

DIETER